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## CENTRAL INTELLIGENCE AGENCY

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## INFORMATION REPORT

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SECURITY INFORMATION

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1. An examination of recent events and of recent decisions made by the rulers of the Soviet Union leads to the following considerations on the Soviet political situation and on the direction which Soviet policy seems to have taken.

Foreign Policy

- a. Soviet policy in foreign affairs has remained substantially unchanged during the past few months.
  - (1) Extensive efforts have been exerted to convince world public opinion of the USSR's apparent willingness to reach an agreement with the West on pending questions. These efforts have been in connection only with marginal problems such as moderation in statements, the Austrian reparations, frontier problems with Turkey, resumption of relations with Yugoslavia, and the armistice in Korea.
  - (2) At the same time, the Soviets have displayed intransigence on fundamental problems where any concession could compromise the Soviet world position. These fundamental problems include the Austrian Peace Treaty, the admission of China into the UN, etc.
  - (3) Also evident has been a certain rigidity vis-a-vis the German problem and American policy. This rigidity can be found in Malenkov's speech with its veiled hints to abide by the Potsdam Agreement, its clearcut opposition to a policy of armed forces directed against the Soviet Union, and its reference to the hydrogen bomb.<sup>1</sup>
  - (4) A continuous purpose of Soviet policy is to threaten the unity of the Western bloc. The latest evidence is found in Malenkov's speech in

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which he refers to the difficulties of Soviet relations with other nations without mentioning Great Britain. Perhaps serving the same purpose is the "warm" reference to Italy in the speech, made in order to favor the development of Italo-Soviet relations.<sup>1</sup>

- (5) The Soviets have sought to reestablish and ameliorate relations with Near and Far Eastern countries by resuming diplomatic relations with Israel, by negotiating with Iran, by paying homage to India, and by inviting Japan to resume relations.

#### Internal Policy

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- b. There is no clear indication as to what is the actual internal situation in the Soviet Union. From what is known [ ] the following may be inferred.

- (1) The principle of collective political direction is being strengthened.
- (2) Repercussions of the Beriia case on the state structure seem to be, at least up to the present, of little significance. Beriia's arrest seems to have resulted in a strengthening of the position of the Communist Party and a freeing of the armed forces from political police control. The latter is indicated by measures such as the replacement of Col. Gen. F.F. Kuznetsov, a political man, by Col. Gen. Zheltov, a military man.<sup>2</sup> The armed forces have not yet, however, been freed from Communist Party control. The amount of political influence which the armed forces have had since Beriia's arrest is not clear.
- (3) There have been attempts to hide, behind exalted phrases on the solidarity of the various peoples of the Soviet Union, the tendency of some nationalities to lean toward a greater autonomy. To satisfy this tendency, the Soviet government may have to grant some autonomy, at least in form, by replacing the Russian officials with local elements of other nationalities who can be trusted to conform to the directives from Moscow.
- (4) As has already happened in satellite countries, the Soviet government hopes to meet the Soviet peoples' uncontrollable desire for greater well-being by slightly modifying its economic policy.

#### Economic Policy

- c. The Soviet rulers have seen the necessity of raising the standard of living of the Soviet population. In addition, they have had to recognize serious shortcomings in the amount of production of both collective farms and industrial concerns. These concerns had an insufficiency of 16 billion rubles in their production for 1952, and there were significant deficiencies during the first months of 1953. It seems that the Soviet government, after taking these factors into consideration, intends to adopt the following policies.
- (1) In industry, there will be an increase in work production by a greater utilization of new technical means of production already available

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but, until now, inefficiently used. There will also be an increase in allotments for the construction of new industrial plants for consumer goods so as to reach the 1955 production goal in 1954.

- (2) In agriculture, the Soviet government will increase the production of general foodstuffs and meat by adopting measures which tend, through economic incentives, to increase the material benefits which accrue to factories and private farmers. They may do this by increasing state acquisition prices for obligatory quotas, granting state aid for the organization of commercial collective farms, etc. The Soviet government will also reduce taxes on agriculture and the obligatory quotas that farmers with private property must meet.
- (3) In commerce, the expectation is for an orientation of the state trade apparatus toward the development of production and public sales. This apparatus will then be given more connection with light industry for the purpose of improving the still faulty distribution of goods and of directing the producers toward the needs and tastes of the consumers.

#### Military Policy

- d. The Soviet military policy remains unchanged, at least as it appears in the 1953 budget appropriation which allots 110.2 billion rubles for defense spending. The 3.2 percent decrease in defense appropriations, which represent 3.6 billion rubles, is no indication that the military is receiving less since production costs have declined much more than 3.2 percent during 1952. Western intelligence services are skeptical about a possible increase of military power following the affirmed but unproved knowledge of production methods in making a hydrogen bomb.
2. In conclusion, the Soviet Union's general policy, at the moment, seems to be based on two exigencies. One is the absolute necessity to affirm internally the new concept of collective political leadership, and the other is the necessity to raise the standard of living of the Soviet and Satellite populations quickly. Consequently, in order to meet these exigencies, the Soviet Union, except for exceptional and unforeseen events, shall be forced to reduce its pressure on the West by slowly removing its threat.
1. Comment. [redacted] referring here to the speech Malenkov made at the meeting of the Supreme Soviet on 8 August 1953. 50X1-HUM  
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2. Comment. Zheltov replaced Kuznetsov as the head of the Chief Directorate for Political Affairs of the Ministry of Defense in July 1953. 50X1-HUM

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